



OFFICE OF CITY CLERK

COUNCIL MINUTES

May 1, 2008

The City Council of the City of Mesa met in a Study Session in the lower level meeting room of the Council Chambers, 57 East 1st Street, on May 1, 2008 at 8:18 a.m.

COUNCIL PRESENT

Mayor Keno Hawker
Kyle Jones
Tom Rawles
Scott Somers
Darrell Truitt
Claudia Walters

COUNCIL ABSENT

Mike Whalen

OFFICERS PRESENT

Christopher Brady
Debbie Spinner
Linda Crocker

Mayor Hawker excused Councilmember Whalen from the entire meeting, and he excused Councilmember Jones from the remainder of the meeting at 9:00 a.m.

1. Review items on the agenda for the May 5, 2008 Regular Council meeting.

All of the items on the agenda were reviewed among Council and staff and the following was noted:

Conflicts of interest declared: 5j, k, l and n; 6n (Hawker); 5m (Hawker-Truitt)

Items removed from the consent agenda: 6c, 7h, 7j and 8b

Items added to the consent agenda: None

2. Hear a presentation, discuss and provide direction on 07/08 and 08/09 budget issues, including but not limited to:

Mayor Hawker invited Councilmember-Elect Dave Richins to come forward to participate in the discussion of budget issues.

a. Forecast Update and State Revenue Estimates and Legislative Impacts

Budget Director Chuck Odom advised that the revenue projections remain the same as provided to the Council on March 20, 2008, and therefore the \$20.8 million in budget cuts should be sufficient for 2008/09. He noted that the City could realize additional pressures on

sales tax revenues, which continues to be projected at a negative 3.6% for 07/08 and 2.0% for 08/09, and he added that staff would closely monitor this revenue source. Mr. Odom advised that no changes in State-shared revenues are expected and the assumption is that the State will maintain their commitments. He noted that House Bill (HB) 2732, which changes the assessment of taxes on out of state delivery of automobiles and recreational vehicles (RV), could negatively affect the City of Mesa in the range of \$800,000 to \$1,200,000.

Government Relations Coordinator Brent Stoddard reported that since 2004, individuals who could prove their primary residence was in another state were eligible to an exemption from sales taxes when purchasing a vehicle or RV in the State of Arizona. He noted that City audits have indicated that some of the non-resident exemptions were not valid and attempts have been made to recover the sales taxes due. Mr. Stoddard advised that HB 2732 would prohibit the City from conducting the audits.

In response to a question from Vice Mayor Walters, Mr. Stoddard stated that the original legislation was introduced by Representative Pearce as an effort to stimulate economic activity. He added that if passed, HB 2372 would be retroactive to 2004 and would require the City to refund taxes recovered from previous audits.

Discussion ensued relative to the fact that the bill provides a benefit to non-residents that is not available to Arizona residents; and that the primary beneficiaries of the legislation are the RV dealers.

Mr. Odom continued the presentation and noted that the 2007/08 year-end budget projection remains the same as was provided to the Council in March. He reported that the forecast for the ending General Fund balance is 13.0% in 2007/08, 11.3% in 2008/09 and 6.7% in 2009/10, and he noted that an improvement in economic conditions could increase the 2009/10 percentage.

Mr. Odom reviewed the "All Funds" expenditures and noted that the figures for 2008/09 are approximately \$1 million less than 2007/08. He advised that the Home Rule ballot language included wording that eliminates the requirement that the City "double count" internal expenditures, which previously inflated the City's budget. He added that the accounting change does not represent any budget savings.

Responding to a question from Councilmember Somers, Mr. Odom advised that the significant decrease in the number of capital projects funded by General Fund dollars enables greater amounts to be available for operational expenses.

City Manager Christopher Brady noted that the 2008/09 Public Safety expenditures are projected to be \$14.5 million higher than in 2007/08, which is an increase of approximately seven percent. He added that Public Safety represented 67 percent of the General Fund expenditures in 2007/08 and that the percentage increases to 70 percent in 2008/09.

In response to a series of questions from Mayor Hawker, Mr. Odom advised that the reductions to the contingency fund are reflected in the ending General Fund balances, 11.3% for 2008/09 compared to 13.0% in 2007/08. He explained that these unallocated funds would be available in the event of an emergency.

Mr. Brady said that the ending fund balances should be viewed in a multiple year perspective.

Mr. Odom reviewed the 2008/09 budget timeline, and he advised that the tentative budget scheduled for adoption on June 2, 2008, would establish the maximum amount of the budget. He explained that the incoming Council would have an opportunity to review and adjust the tentative budget to a lesser or equal amount for final adoption on June 23, 2008.

Vice Mayor Walters noted that an incoming Councilmember who would like the Council to establish a higher budget amount should communicate that information to staff before the meeting on June 2, 2008.

Additional discussion ensued relative to the fact that staff incorporates cost forecasts for electric and gas commodities into the budget so that cost increases can be passed through to the customer; that a secondary property tax on the proposed November bond package would not be collected until 2009/10; and that a bond package approved by the voters in 2008 would have to process through multiple steps before any funds are spent.

Mr. Odom noted the incoming Councilmembers have been provided with background information that compares the City of Mesa to other Valley cities, including a survey of homeowner charges and an operating budget comparison.

b. Police Salaries and Overtime

Assistant City Manager Debbi Dollar reported that City of Mesa salaries for Police Department recruit, officer, sergeant, and lieutenant classifications are far below the market average when compared to other Valley cities. She advised that a five percent increase is proposed for these classifications effective July 1, 2008, in addition to a three percent cost of living increase effective January 1, 2009. Ms. Dollar stated that the increases should place the classifications at or above the market average. She added that in anticipation of other Valley cities providing salary and cost of living increases, a second phase of increases of between two and one-half and five percent has been budgeted. Ms. Dollar advised that another market survey would be conducted in late 2008 to determine if the second phase is warranted and, if not warranted, the funding could be directed to other Public Safety needs, such as overtime expense. She said that the City's goal is to be at or slightly above the market average.

In response to a question from Councilmember Somers, Human Resources Director Gary Manning advised that the proposed City of Phoenix 11.7 percent increase over a two-year period was omitted from the survey data because their Council has not officially approved the increase. He added that the approved increases for Gilbert, Glendale, Scottsdale and Chandler were included in the survey, which was completed four to five weeks ago.

City Manager Christopher Brady explained that staff proposes to conduct a salary survey in December at which time additional data should be available regarding the actions of other cities. He noted that data would also be available regarding Chief Gascón's program to manage overtime expense, the initial reports for which indicate that the program is successful. He said that staff would present the mid-year information to the Council for consideration.

Vice Mayor Walters expressed concern that attempts to maintain a competitive position with other cities has resulted in an upward spiral of Public Safety salaries throughout the Valley.

Mr. Brady stated the opinion that a regional effort would be required in order to address this issue. He noted that cities might have to attract Public Safety employees with factors other than salary.

Chief Gascón noted that Valley cities are competing on the national level for Public Safety employees, and he added that the issue of salaries is a matter of concern for departments across the country. He stated the opinion that a possible solution could be to implement a new business model that enables a smaller, well-paid police department to efficiently provide needed services. Chief Gascón added that an attempt by Mesa to maintain or lower the market for Public Safety salaries is likely to be unsuccessful. He suggested that efforts should continue to lower costs and operate more efficiently, such as the current program that focuses on the reduction of overtime expense. Chief Gascón added that staff is also exploring the creation of new, non-sworn classifications to perform the duties that do not require the services of an armed police officer.

Ms. Dollar responded to a question from Councilmember Rawles by advising that the January increases are flexible and would depend on the results of the market survey. She stated that the tentative proposal for January is a five percent increase for recruits and officers, two and one-half percent for sergeants and nothing for lieutenants.

Councilmember Rawles said that he would prefer that recruits and officers receive two and one-half percent and that sergeants receive one and one-half percent in order to allocate some of the budgeted amount to the Transitional Response Vehicle (TRV) program. He emphasized that any unused funds allocated for salary increases should be utilized for Public Safety rather than being reallocated to another department within the City.

Councilmember Truitt expressed concern that the City's salary ranges were too narrow. He noted that although the top of the salary range for recruits was below the market average, the starting salary for recruits was \$9,000 above the market average. He suggested that the calculations and market comparisons should be based on the median point of each salary range. Councilmember Truitt recommended that the top of the salary ranges be adjusted upward.

Mayor Hawker expressed support for the suggestion offered by Councilmember Rawles regarding the funding for the TRV Program.

Mr. Brady advised that staff would provide an update to the Council in November.

Councilmember Rawles stated the opinion that the current model of Fire Department ladder trucks responding to a medical emergency was not financially sustainable. He added that the trial TRV Program should provide data that will assist in the development of creative and cost-effective approaches to providing medical emergency services.

c. Responses to questions previously raised by Council

Mayor Hawker noted that the Council was provided with responses to the questions (a copy is available for review in the City Clerk's Office).

Councilmember Somers noted that Question 2 addressed the possibility of charging fees for service provided by a Transitional Response Vehicle (TRV). He advised that the insurance industry currently denies a large amount of the billing for transportation services. Councilmember Somers said that unless the TRV is staffed by an individual qualified to bill for services, such as a physician's assistant, cost recovery would be very difficult. He also noted that the City would be charging citizens for a service that they expect to be free and for which the insurance company is likely to deny payment.

d. Transit Update

Deputy Transportation Director Mike James reported that last week, the Regional Public Transportation Authority (RPTA) advised that the cost estimates for Dial-A-Ride and fixed-route transit services have increased by approximately \$600,000 since the presentation to the Council in February. He advised that the increase is the result of increased labor costs and the fact that the Dial-A-Ride fleet is fueled by diesel. Mr. James said that staff would continue to meet with RPTA personnel to review and refine the numbers and that when additional information is available, staff will provide an update to the Council.

Mr. Brady noted the difficulty of addressing these increased costs so late in the budget process. He said that unless the Council provided other direction, the cost increase would be adjusted within the Transit budget. Mr. Brady noted that if Local Transportation Assistance Funds II (LTAFII) become available, the City should have a plan in place to address the issue.

Vice Mayor Walters said that it was her understanding that no LTAFII funds would be available.

In response to a question from Councilmember Rawles regarding the current budget, Mr. James advised that Saturday bus service has been changed from "every 30 minutes" to "every 60 minutes" in order to lower costs.

Budget Director Chuck Odom advised that \$1.3 million was eliminated from the 2008/09 Transit budget and the 2007/08 budget was reduced by \$70,000.

Mayor Hawker suggested that staff review the routes that are not regionally funded for possible elimination. He recommended that individuals who rely on public transit should attempt to reside in close proximity to a transit route.

Mr. James reported that participation in the taxicab program and the Ride Reimbursement Program has increased.

Mayor Hawker thanked staff for the update.

3. Hear a presentation, discuss and provide direction on Planning and Building Safety fees.

Planning Director John Wesley stated that as requested by the Council, staff has reviewed the proposed fee increase for single residence dwellings. He said that staff is recommending that the fees for single residences remain at the current level. He added that all fees are reviewed on an annual basis and an adjustment could be considered when market conditions improve.

Councilmember Truitt expressed the opinion that the proposed fee increase would not significantly affect the price of a home.

Discussion ensued relative to the fact that the fee increase on a 175 lot residential development would be \$25 per lot; and that representatives of the home building industry were concerned regarding the total amount of fee increases proposed by Planning and Building Safety.

City Manager Christopher Brady stated that it would be difficult to address "all fees" that affect the development community. He said utility rate increases reflect the costs to provide services and that a failure to charge the appropriate fees places the burden of new residential growth on the remaining rate payers. Mr. Brady noted that Building Safety is an enterprise operation and 100 percent of the revenues pay for services. He added that the goal established for the Planning Department is to recover 30 percent of all costs.

At the request of Mayor Hawker, Building Safety Director Terry Williams came forward to address the fees. He displayed a chart that compared the City of Mesa's fees to those charged by other Valley communities (see Attachment 1). Mr. Williams explained that the City of Chandler was not included in the comparison because of their decision to establish extremely low fees in support of development.

In response to a question from Councilmember Somers, Mr. Williams stated that the staff was addressing single-family residential fees based on the direction provided by the Council.

Councilmember Somers stated the opinion that all types of developments should contribute to the cost recovery of fees.

Further discussion ensued relative to the fact that the City's fees are lower than other communities; that if the proposed fee increase for residential were included, Mesa's fees would be comparable to other cities; that staff would update the comparison to include the fees as originally proposed and indicate the amount of cost recovery; and that the Council would consider the fees at a future meeting.

4. Hear a presentation, discuss and provide direction on a Volunteer Nuisance Sign Removal Program.

Code Compliance Director Mike Renshaw displayed a PowerPoint presentation (a copy is available for review in the City Clerk's Office) to provide a brief overview of the proposed Volunteer Nuisance Sign Removal Program. He said that staff removed more than 17,500 nuisance signs in 2007. Mr. Renshaw reported that in Fiscal Year 2006/07, \$25,000 in direct personnel costs (representing approximately 640 staff hours) was utilized to remove nuisance signs. He advised that staff is recommending the adoption of two types of programs: 1) A Registered Neighborhood Nuisance Sign Program and 2) A Special Project Program. Mr. Renshaw explained that the first program would enable registered neighborhoods to adopt an intersection, and that the second program would enable individual groups to participate in the Special Project Program, such as a "Saturday Sign Sweep." He advised that all volunteers would be required to participate in a training session, complete a Volunteer Application form and sign a Neighborhood Services Department Special Project Participation Agreement, which includes a waiver of liability. Mr. Renshaw stated that the confiscated signs would be recycled in an appropriate manner and that the wooden stakes would be utilized as fuel for the Mesa Arts

Center kilns. He summarized that staff's recommendation for a pilot program includes implementation in four registered neighborhoods and a one-day special project event.

In response to a question from Councilmember Rawles, Mr. Renshaw confirmed that the training includes information relative to the fact that volunteers are prohibited from approaching or making contact with any individual who is in the process of putting a sign in place.

It was moved by Councilmember Rawles, seconded by Vice Mayor Walters, that staff be authorized to implement the pilot Volunteer Nuisance Sign Removal Program.

Upon tabulation of votes, it showed:

AYES –	Hawker--Rawles-Somers-Truitt-Walters
NAYS –	None
ABSENT –	Jones-Whalen

Mayor Hawker declared the motion carried unanimously by those present.

5. Acknowledge receipt of minutes of various boards and committees.

- a. Parks and Recreation Board meeting held on March 13, 2008
- b. Transportation and Infrastructure Committee meeting held on April 17, 2008

It was moved by Vice Mayor Walters, seconded by Councilmember Somers, that receipt of the above-referenced minutes be acknowledged.

Mayor Hawker declared the motion carried unanimously by those present.

6. Hear reports on meetings and/or conferences attended.

There were no reports on meetings and/or conferences attended.

7. Scheduling of meetings and general information.

City Manager Christopher Brady stated that the meeting schedule is as follows:

Monday, May 5, 2008, TBA – Study Session

Monday, May 5, 2008, 5:45 p.m. – Regular Council Meeting

8. Items from citizens present.

There were no items from citizens present.

9. Adjournment.

Without objection, the Study Session adjourned at 10:09 a.m.

KENO HAWKER, MAYOR

ATTEST:

LINDA CROCKER, CITY CLERK

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Study Session of the City Council of Mesa, Arizona, held on the 1st day of May 2008. I further certify that the meeting was duly called and held and that a quorum was present.

LINDA CROCKER, CITY CLERK

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Attachment (1)